

# Split Rock Private Trading and Wealth Management LLC Firm Brochure

*This brochure provides information about the qualifications and business practices of Split Rock Private Trading and Wealth Management LLC. If you have any questions about the contents of this brochure, please contact us at (218) 879-3262 or by email at: [tkocon@splitrockprivatetrading.com](mailto:tkocon@splitrockprivatetrading.com) or [mcool@splitrockprivatetrading.com](mailto:mcool@splitrockprivatetrading.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Split Rock Private Trading and Wealth Management LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Split Rock Private Trading and Wealth Management LLC's CRD number is: 152003*

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*Registration as an investment adviser does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

Below are the material changes in this brochure from the last annual updating amendment of Split Rock Private Trading and Wealth Management LLC on January 16, 2019.

- The firm now has an office at Duluth, MN.
- The firm no longer manages a private fund.
- The firm no longer manages the Bakken SMA.
- "Covestor" disclosures have been updated to "Interactive Advisors", since Interactive Brokers bought out Covestor.
- The firm has added the custodian Fidelity Brokerage Services LLC.

Material changes are changes to policies, practices or conflicts of interests only.

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## **Item 4: Advisory Business**

### **A. Description of the Advisory Firm**

Split Rock Private Trading and Wealth Management LLC is a limited liability company organized in Minnesota. This firm has been in business since January 6, 2010, and the principal owners are Tyler Allen Kocon and Mark Joseph Cool.

### **B. Types of Advisory Services**

Split Rock Private Trading and Wealth Management LLC (hereinafter “SRPT”) offers the following services to advisory clients:

#### ***Investment Supervisory Services***

SRPT providing investment advice to clients based on a separately managed account (SMA) basis. SRPT provides ongoing portfolio management services to the hedge fund based on specific investment parameters that are detailed in the hedge funds offering documents. When suitable, clients will be offered the opportunity to invest in the fund.

SRPT will also make available its portfolio models to Interactive Advisors. This relationship will be memorialized in a contract between SRPT and Interactive Advisors.

For separately managed accounts, SRPT offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. SRPT assist the client in constructing an Investment Policy Statement for each client, which outlines the client’s current situation (income, tax levels, and risk tolerance levels). SRPT then seeks to construct a portfolio that matches each client’s specific situation. Investment Supervisory Services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

SRPT evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. SRPT will require discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

### ***Services Limited to Specific Types of Investments***

SRPT does not limit its investment advice and/or money management to specific types of investments or securities. SRPT may use a variety of securities to help diversify a portfolio when applicable.

### **C. Client Tailored Services and Client Imposed Restrictions**

SRPT offers the same suite of services to all of its clients. However, specific client investment approaches and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions, to be documented in the Investment Policy Statement, on investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent SRPT from properly servicing the client account, or if the restrictions would require SRPT to deviate from its standard suite of services, SRPT reserves the right to end the relationship.

### **D. Wrap Fee Programs**

SRPT does not participate in any wrap fee programs.

### **E. Amounts Under Management**

SRPT has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$119,000,000.00	\$0.00	September 2020

## Item 5: Fees and Compensation

### A. Fee Schedule

Lower fees for comparable services may be available from other sources.

#### *Investment Supervisory Services Fees*

##### Separately Managed Accounts

Total Assets Under Management	Annual Fee
Up to \$50,000	1.75%
\$50,000 - \$500,000	1.50%
Above \$500,000	1.25%

##### Hourly Fees

*Depending upon the complexity of the situation and the needs of the client, the hourly fee is \$100.*

These fees are negotiable and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract. Fees are calculated based on an average daily balance of the client accounts. Clients may terminate their accounts without penalty or fee within 5 business days of signing the advisory contract. Thereafter, clients may terminate their contracts with ten days' written notice.

### B. Payment of Fees

#### *Payment of Investment Supervisory Fees*

Advisory fees are charged in arrears, either monthly or bi-monthly as set forth in Exhibit II of the Investment Advisor Contract. Fees are withdrawn directly from the client's accounts and therefore SRPT will:

- (A) Possess written authorization from the client to deduct advisory fees from an account held by a qualified custodian.
- (B) Utilize a custodian that sends at least quarterly statements reflecting all additions and deductions, including the amount of advisory fees.
- (C) Send the qualified custodian written notice of the amount of the fee to be deducted and send the client a written invoice upon or prior to fee deduction itemizing the fee, including the formula used to calculate the fee, the time period

covered by the fee, and the amount of assets under management on which the fee was based.

Fees can also be paid quarterly in advance.

### ***Payment of Interactive Advisors Fees***

SRPT will receive fees directly from Interactive Advisors via check. Fees are paid in advance.

### **C. Clients Are Responsible For Third Party Fees**

Clients are responsible for the payment of all third party fees (i.e. custodian fees, mutual fund fees, transaction fee etc.). Those fees are separate and distinct from the fees and expenses charged by SRPT. Please see Item 12 of this brochure regarding broker/custodian.

### **D. Prepayment of Fees**

SRPT collects its fees in arrears. It does not collect fees in advance.

### **E. Outside Compensation For the Sale of Securities to Clients**

Neither SRPT nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.

## **Item 6: Performance-Based Fees and Side-By-Side Management**

SRPT does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client. Therefore, there is no side-by-side management.

## **Item 7: Types of Clients**

SRPT generally provides investment advice to the following Types of Clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Corporations or Business Entities
- ❖ Other Investment Advisers
- ❖ Pooled Investment Vehicles



For separately managed accounts, there is an account minimum of \$100,000, which may be waived by SRPT, based on the needs of the client and the complexity of the situation.

## **Item 8: Methods of Analysis, Investment Strategies and Risk, of Investment Loss**

### **A. Methods of Analysis and Investment Strategies**

#### ***Methods of Analysis***

SRPT's methods of analysis include charting analysis, fundamental analysis, technical analysis, and cyclical analysis.

**Charting analysis** involves the use of patterns in performance charts. SRPT uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

**Technical analysis** involves the analysis of past market data; primarily price and volume.

**Cyclical analysis** involved the analysis of business cycles to find favorable conditions for buying and/or selling a security.

#### ***Investment Strategies***

SRPT, runs four different Separately Managed Accounts (SMA's) and a Hedge Fund. We have three Equity SMA's and one Fixed Income SMA. The two Equity SMA's are Dividend Income and Equity Rotation.

**Dividend Income SMA** is comprised of high dividend paying stocks. We look for stocks that pay at least a 3% annual dividend, have not cut their dividend in the past and have a strong history of increasing that dividend over time.

**Equity Rotation SMA** is a sector rotation and industry rotation strategy based on signals provided by our research. Signals include government regulation, Central Bank activity, cost of consumable commodities, transportation and Geopolitical events.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **B. Material Risks Involved**

### ***Methods of Analysis***

**Charting analysis** strategy involves using and comparing various charts to predict long and short term performance or market trends. The risk involved in using this method is that only past performance data is considered without using other methods to crosscheck data. Using charting analysis without other methods of analysis would be making the assumption that past performance will be indicative of future performance. This may not be the case.

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Technical analysis** attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

**Cyclical analysis** assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are two-fold: 1) the markets do not always repeat cyclical patterns and 2) if too many investors begin to implement this strategy, it changes the very cycles these investors are trying to exploit.

### ***Investment Strategies***

SRPT primarily uses long term trading and short term trading; its occasional use of short sales, margin transactions, and options trading generally holds greater risk and clients should be aware that there is a material risk of loss using any of those strategies.

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Short term trading** risks include liquidity, economic stability and inflation, in addition to the long term trading risks listed above. Frequent trading, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

**Short sales** entail the possibility of unlimited loss. An increase in the applicable securities' prices will result in a loss and, over time, the market has historically trended upward.

**Margin transactions** use leverage that is borrowed from a brokerage firm as collateral. When losses occur, the value of the margin account may fall below the brokerage firm's

threshold thereby triggering a margin call. This may force the account holder to either allocate more funds to the account or sell assets on a shorter time frame than desired.

**Options** writing or trading involves a contract to purchase a security at a given price, not necessarily at market value, depending on the market. This strategy includes the risk that an option may expire out of the money resulting in minimal or no value. Option writing also involves risks including but not limited to economic risk, market risk, sector risk, idiosyncratic risk, political/regulatory risk, inflation (purchasing power) risk and interest rate risk.

*SRPT utilizes investment strategies that are designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes. Risks specific to the private fund are further discussed in the fund's private placement memorandum.*

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **C. Risks of Specific Securities Utilized**

Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below (leaving aside Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency. This list may not include all types of investments or securities used by SRPT, as SRPT does not limit its investment advice and/or money management to specific types of investments or securities.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. They can be of bond "fixed income" nature (lower risk) or stock "equity" nature.

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry market conditions and general economic environments.

**Fixed income** investments generally pay a return on a fixed schedule, though the amount of the payments can vary and include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general the fixed income market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of

losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

**Exchange Traded Funds (ETFs):** An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest, and the possibility of inadequate regulatory compliance. Precious Metal ETFs (e.g., Gold, Silver, or Palladium Bullion backed “electronic shares” not physical metal) specifically may be negatively impacted by several unique factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in hedging activities by producers of gold or other precious metals, (3) a significant change in the attitude of speculators and investors.

**Real Estate** funds face several kinds of risk that are inherent in the real estate sector, which historically has experienced significant fluctuations and cycles in performance. This includes REITs, but only publicly-traded REITs that are priced daily. Revenues and cash flows may be adversely affected by: changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics; competition from other properties offering the same or similar services; changes in interest rates and in the state of the debt and equity credit markets; the ongoing need for capital improvements; changes in real estate tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies; adverse changes in zoning laws; the impact of present or future environmental legislation and compliance with environmental laws.

**Hedge Funds** often engage in leveraging and other speculative investment practices that may increase the risk of investment loss; can be highly illiquid; are not required to provide periodic pricing or valuation information to investors; May involve complex tax structures and delays in distributing important tax information; are not subject to the same regulatory requirements as mutual funds; and often charge high fees. In addition, hedge funds may invest in risky securities and engage in risky strategies.

**Commodities** are tangible assets used to manufacture and produce goods or services. Commodity prices are affected by different risk factors, such as disease, storage capacity, supply, demand, delivery constraints and weather. Because of those risk factors, even a well-diversified investment in commodities can be uncertain. *Commodities are only offered in ETF format.*

**Non-U.S. securities** present certain risks such as currency fluctuation, political and economic change, social unrest, changes in government regulation, differences in accounting and the lesser degree of accurate public information available.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business or the integrity of our management.

## **Item 10: Other Financial Industry Activities and Affiliations**

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither SRPT nor its representatives are registered as a broker/dealer or as representatives of a broker/dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither SRPT nor its representatives are registered as a FCM, CPO, or CTA.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Mr. Kocon and Mr. Cool are also members of Cool and Kocon Real Estate Holdings LLC, which owns property used for both commercial and real estate rental income. Clients of SRPT are not solicited for participation in this venture and as such it is not considered to be a conflict of interest. Again, SRPT always acts in the best interest of the client and clients are in no way required to utilize the services of any SRPT representative in such individual's outside capacities.

Mark Joseph Cool is the Vice President at Blacklist Brewing Co., a European-inspired brewery that specializes in unique, artfully-crafted ales. He provides business analysis and oversees financials of day to day business.

Tyler Allen Kocon is Vice-President of Blacklist Brewing Co., a European-inspired brewery that specializes in unique, artfully-crafted ales. He provides business analysis and oversees financials of day to day business.

All material conflicts of interest under California Code of Regulations Section 260.238(k) are disclosed regarding the investment adviser, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

#### **D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections**

SRPT does not utilize nor select other advisors or third party managers. All assets are managed by SRPT management.

### **Item 11: Code of Ethics, Participation in Transactions, Personal Trading**

#### **A. Code of Ethics**

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Clients may request a copy of our Code of Ethics from management.

#### **B. Recommendations Involving Material Financial Interests**

SRPT does not recommend that clients buy or sell any security in which SRPT or a related person has a material financial interest.

#### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of SRPT may buy or sell securities for themselves that they also recommend to clients. SRPT will always document any conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

#### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of SRPT may buy or sell securities for themselves at or around the same time as clients. SRPT will always process client's transactions before its own in a given day.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

The custodians, Trade-PMR Inc, Member FINRA SIPC, Employee Fiduciary, Aspire Financial, Interactive Brokers and Fidelity Brokerage Services LLC, (CRD# 7784), were chosen based on their relatively low transaction fees and access to mutual funds and ETFs. SRPT will never charge a premium or commission on transactions, beyond the actual cost imposed by the custodian(s).

#### ***1. Research and Other Soft-Dollar Benefits***

While SRPT has no formal soft dollars program in which soft dollars are used to pay for third party services, SRPT may receive products, software services, or other services from custodians and broker-dealers in connection with client securities transactions ("soft dollar benefits"). SRPT may enter into soft-dollar arrangements consistent with (and not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended. There can be no assurance that any particular client will benefit from soft dollar research, whether or not the client's transactions paid for it, and SRPT does not seek to allocate benefits to client accounts proportionate to any soft dollar credits generated by the accounts. SRPT benefits by not having to produce or pay for the research, products or services, and SRPT will have an incentive to recommend a broker-dealer based on receiving research or services. Clients should be aware that SRPT's acceptance of soft dollar benefits may result in higher commissions charged to the client.

#### ***2. Brokerage for Client Referrals***

SRPT receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

#### ***3. Clients Directing Which Broker/Dealer/Custodian to Use***

SRPT will not allow clients to direct SRPT to use a specific broker-dealer to execute transactions. Clients must use SRPT recommended custodian (broker-dealer). Not all investment advisers require their clients to direct brokerage.

### **B. Aggregating (Block) Trading for Multiple Client Accounts**

SRPT maintains the ability to block trade purchases across accounts but will rarely do so. While block trading may benefit clients by purchasing larger blocks in groups, we do not feel that the clients are at a disadvantage due to the best execution practices of our custodian.

## **Item 13: Reviews of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Client accounts are reviewed at least quarterly by Tyler Allen Kocon and Mark Joseph Cool. The chief advisors are instructed to review clients' accounts with regards to their investment policies and risk tolerance levels. All accounts at SRPT are assigned to these reviewers.

### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

### **C. Content and Frequency of Regular Reports Provided to Clients**

Each client will receive a quarterly written report detailing the clients account performance, which may come from the custodian.

## **Item 14: Client Referrals and Other Compensation**

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

SRPT does not receive any economic benefit, directly or indirectly from any third party for advice rendered to SRPT clients.

### **B. Compensation to Non – Advisory Personnel for Client Referrals**

SRPT may, via written arrangement, retain third parties to act as solicitors for SRPT's investment management services. All compensation with respect to the foregoing will be fully disclosed to each client to the extent required by applicable law. SRPT will ensure each solicitor is properly registered in all appropriate jurisdictions.

If SRPT receives funds and/or persons introduced by Interactive Advisors, SRPT will compensate Interactive Advisors 25.00% of the management fee received that are attributable to such funds, as when SRPT receives such fees for the full period SRPT manages such funds.



## **Item 15: Custody**

Custody of client's accounts is held primarily at the custodians: Trade-PMR Inc, Member FINRA SIPC, Interactive Brokers, Aspire Financial and Fidelity Brokerage Services LLC. SRPT does not take custody of client accounts other than via direct fee deduction. Fees are withdrawn directly from the client's accounts and therefore SRPT will:

- (A) Possess written authorization from the client to deduct advisory fees from an account held by a qualified custodian.
- (B) Utilize a custodian that sends at least quarterly statements reflecting all additions and deductions, including the amount of advisory fees.
- (C) Send the qualified custodian written notice of the amount of the fee to be deducted and send the client a written invoice upon or prior to fee deduction itemizing the fee, including the formula used to calculate the fee, the time period covered by the fee, and the amount of assets under management on which the fee was based.

Clients will receive account statements from the custodian and should carefully review those statements.

## **Item 16: Investment Discretion**

SRPT provides discretion portfolio management and maintains limited power of authority over client accounts with respect to securities to be bought and sold and amount of securities to be bought and sold. SRPT will also have discretionary authority to determine the broker or dealer to be used for a purchase or sale of securities for a client's account. All buying and selling of securities is explained to clients in detail before an advisory relationship has commenced.

## **Item 17: Voting Client Securities (Proxy Voting)**

SRPT will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

## **Item 18: Financial Information**

### **A. Balance Sheet**

SRPT does not require nor solicit prepayment of more than \$500 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

**B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither SRPT nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

**C. Bankruptcy Petitions in Previous Ten Years**

Neither SRPT nor its management have been the subject of a bankruptcy petition in the last ten years.

**Item 19: Requirements for State Registered Advisers**

**A. Principal Executive Officers and Management Persons; Their Formal Education and Business Background**

SRPT currently has two management persons and two executive officers; Tyler Allen Kocon and Mark Joseph Cool. Their education and business background can be found on their respective Supplemental ADV Part 2B forms.

**B. Other Businesses in Which This Advisory Firm or its Personnel are Engaged and Time Spent on Those (If Any)**

Other business activities for each relevant individual can be found on the individual's Form ADV Part 2B brochure supplement.

**C. How Performance Based Fees are Calculated and Degree of Risk to Clients**

SRPT does not charge performance-based fees.

**D. Material Disciplinary Disclosures for Management Persons of this Firm**

No management person at SRPT has been involved in an arbitration claim or been found liable in a civil, self-regulatory organization, or administrative proceeding that is material to the client's evaluation of the firm or its management.

**E. Material Relationships That Management Persons Have With Issuers of Securities (If Any)**

See Item 10.C and 11.B.